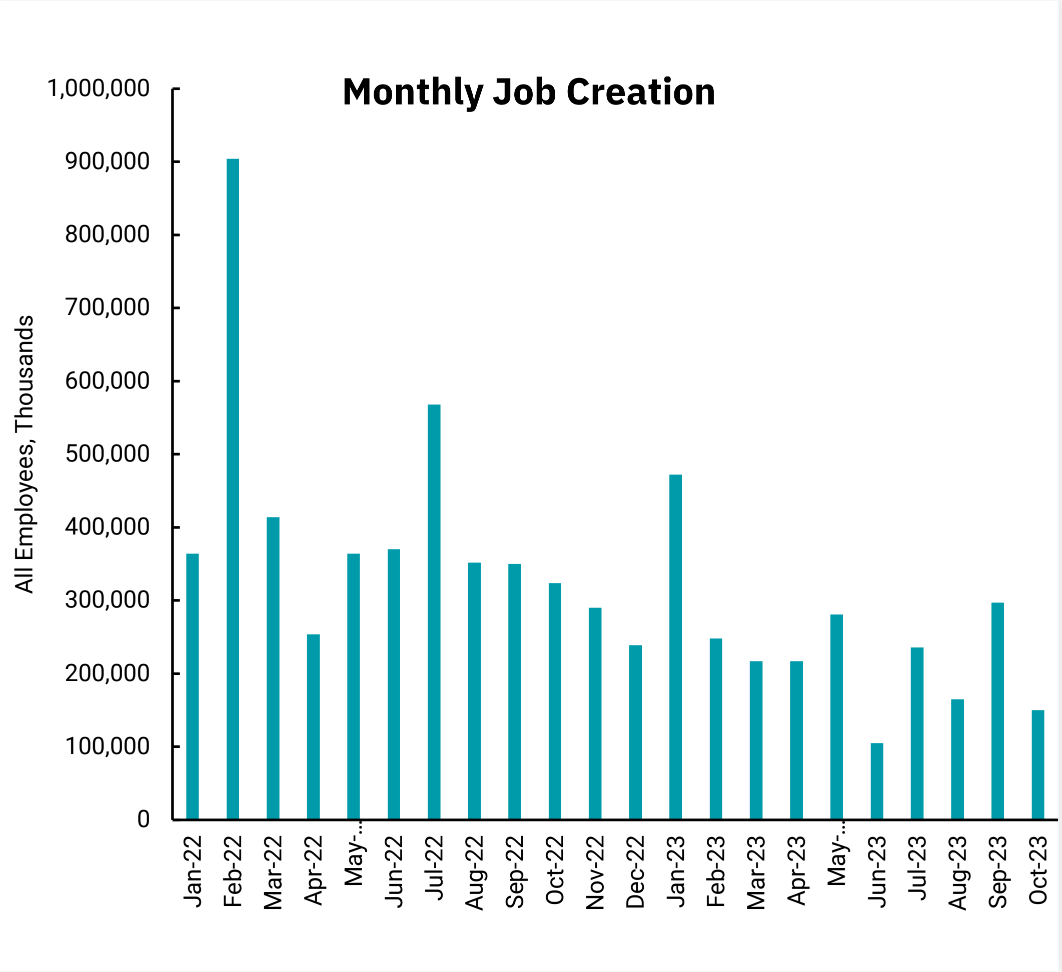
INVESTMENT MANAGEMENT

Weekly market update

BOK FINANCIAL

Chart of the week (Nov. 3, 2023)



The domestic job market is front and center as we consider our growth outlook. Two-thirds of the domestic economy is supported by consumer spending, and consumers generally need incomes to spend. Consequently, the Federal Reserve considers the job market to be key to its outlook for inflation and the need for changes in monetary policy. Periods of tight labor markets, which put upward pressure on wages, have been associated with inflationary cycles. Hence, a labor market where the demand for labor exceeds supply keeps the Fed on edge about inflation and leaning towards restrictive monetary policies.

We find ourselves in such a cycle now, where the number of open jobs exceeds the number of unemployed persons, and upward pressure on wages has been pronounced. Although inflation is declining from the levels we saw last summer, the Fed believes we will need to see some period of below-trend growth and somewhat higher unemployment to get inflation back to its 2% target and stay there.

This week's chart shows the number of new jobs reported in the monthly employment report going back to January 2022. There have been variances along the way, but the overall trend is slowing job growth. The September 2023 job growth number was higher than expected, raising concerns about the need for the Fed to raise rates even further. However, the most recent report has eased some of those concerns because job growth numbers slowed to 150,000, and we saw downward revisions to the previous two months' reports. Within the report, we also saw a measure of wage gains slow to only 0.2%, which means wage growth over the last 12 months has slowed to 4.1%. That's still above the Fed's inflation target but clearly moving in the right direction. Both stock and bond markets are rallying after this report, as the idea of "peak rates" gets more support.

Nevertheless, there are still many issues to consider as we think about inflation, interest rates and the economy going forward. The monthly employment report is notorious for material revisions in future months. Still, it provides the most comprehensive look at the biggest driver of the most significant part of our economy—the U.S. consumer. Our sense is the bar to raise rates at future meetings is getting higher, yet the idea of rate cuts seems unlikely. Fiscal policy remains accommodative even as the Fed is trying to be restrictive with monetary policy. We should continue to expect periods of economic and market volatility.

Source: Federal Reserve Bank of St. Louis.

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Commentary (Nov. 3, 2023)

Domestic Equities

- U.S. stocks rallied sharply this week after posting three consecutive months of losses.
- The S&P 500 Index fell 2.10% in October. Value stocks fell more than growth, down about 3.5% for the month, and small-cap significantly underperformed large-cap, down over 6.8% for the month. This week's reversal was led by large growth, but value and small-cap participated.
- Bad news was good news with the jobs report out Friday. Job adds were less than expected and the unemployment rate was higher than expected for October, suggesting the economy is cooling and the Fed may be near the end of its hiking cycle.
- Apple, the stock market's most valuable company, had a disappointing report this week. Earnings exceeded expectations, but sales showed no growth over last year.

Bonds

- U.S. Treasury yields tumbled on weaker economic data and refinancing relief, with the U.S. Treasury announcing that it would slow the pace of increases in long-term debt issuance. However, U.S. Treasuries benefited from the Federal Reserve's decision to leave policy rates unchanged at its Wednesday meeting.
- The broad investment-grade market, as measured by the Bloomberg U.S. Aggregate Bond market, was positive for the week, with the index benefitting from lower rates and narrowing spreads across both the corporate and securitized markets.
- In international markets, Japanese bond yields made new highs after the Bank of Japan (BOJ) announced they were removing the 1% ceiling on 10-year Japanese Government Bonds. Additionally, the Banco Central do Brasil cut rates by 0.5%, while the Norges Bank hiked by 0.25%.

International Equities

- Investor sentiment shifted this week as key central banks paused further rate hikes, which overshadowed the impact of elevated interest rates and geopolitical concerns.
- Developed markets rebounded after two straight weeks of losses as most Pacific and European markets rallied. European investors received positive news that eurozone inflation fell to a two-year low of 2.9% in October. However, sluggish corporate earnings results across the continent suggest that the broader economy might be slowing.
- Emerging markets rebounded this week, with markets across Asia, Latin America, and the Middle East posting strong gains. Investors took comfort in the U.S. Fed's decision to leave its benchmark interest rates unchanged. China continues to struggle as factory activity fell back into contraction in October, signaling that its economy is fragile and requires more support.

Economics

- The Bureau of Labor Statistics (BLS) reported total nonfarm payroll employment increased by 150,000 in October, the lowest monthly increase since June 2023 (105,000) and below the 12-month average of 258,000. Most of the monthly increase was concentrated in the health care, government and social services sectors. Notably, employment in manufacturing declined due to strike activity in the automotive manufacturing sub-sector. The unemployment rate increased to 3.9%.
- The BLS Job Openings and Labor Turnover Summary (JOLTS) indicated job openings were 9.6 million on the last business day of September. Separations were 5.5 million, with quits totaling 3.7 million and layoffs and discharges totaling 1.5 million. Other separations were 352,000.
- Initial claims for unemployment insurance for the week ending Oct. 28 were 217,000, an increase of 5,000 from the prior week.

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Weekly Market Update

For Week Ending November 03, 2023

Markets

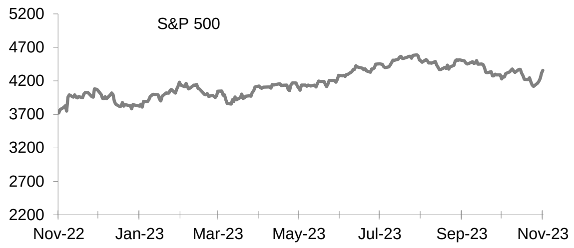
	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	34,061.32	5.1%	4.5%	8.7%
S&P 500 Index	4,358.34	5.9%	15.0%	19.1%
NASDAQ	13,478.28	6.6%	29.6%	31.5%
S&P 400 Midcap Index	2,478.34	6.6%	3.4%	6.5%
S&P 600 Smallcap Index	1,148.40	7.5%	0.7%	1.4%
MSCI EAFE	7,052.87	4.4%	7.1%	20.6%
MSCI Emerging Markets	492.94	3.1%	1.4%	13.1%
Bloomberg US Agg	2,037.88	2.0%	-0.5%	3.0%
Bloomberg Municipal 5 Yr	468.51	1.0%	0.0%	3.1%
Bloomberg US Corporate	2,984.87	2.1%	0.6%	5.5%
Bloomberg Glb Agg ex US Hdg	540.55	0.9%	3.7%	3.6%
Bloomberg High Yield	2,343.38	2.8%	7.2%	9.9%
MSCI US REIT Index	1,881.04	8.3%	-1.8%	1.2%
Bloomberg Commodity Index	239.55	-0.3%	-2.6%	-2.6%

	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	5.50%	5.50%	4.50%	4.00%
3-Month Treasury	5.39%	5.45%	4.34%	4.13%
1-Year Treasury	5.27%	5.39%	4.69%	4.76%
2-Year Treasury	4.84%	5.00%	4.43%	4.71%
5-Year Treasury	4.50%	4.76%	4.00%	4.37%
7-Year Treasury	4.56%	4.84%	3.97%	4.27%
10-Year Treasury	4.57%	4.83%	3.87%	4.15%
30-Year Treasury	4.77%	5.01%	3.96%	4.18%
Consumer Rates				
30-Year Mortgage	7.79%	8.05%	6.66%	5.83%
Prime Rate	9.25%	9.25%	8.25%	7.75%
SOFR	5.32%	5.31%	4.77%	3.80%
Commodities				
Gold	1,992.65	2,006.37	1,824.02	1,629.49
Crude Oil (WTI)	80.51	85.54	80.26	78.18
Gasoline	3.43	3.50	3.21	3.79
Natural Gas	3.52	3.48	4.48	5.57
Copper	3.68	3.65	3.81	3.40

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	18.67	18.93	4.03	2.09
S&P 500	19.62	19.70	4.04	1.63
S&P 500 Value	17.04	17.12	2.71	2.11
S&P 500 Growth	22.44	22.53	6.84	1.25
NASDAQ	28.44	31.91	5.45	0.84
S&P Midcap 400	14.83	13.50	2.13	2.17
S&P Smallcap 600	14.15	12.75	1.65	1.92
MSCI EAFE	13.03	12.26	1.63	3.42
MSCI Emerging Markets	13.18	10.01	1.51	3.20

Source: Bloomberg

Equity Style



1 Month*

	Value	Core	Growth
Large	4.28	3.15	2.23
Mid	3.79	2.16	1.84
Small	3.79	2.97	2.11

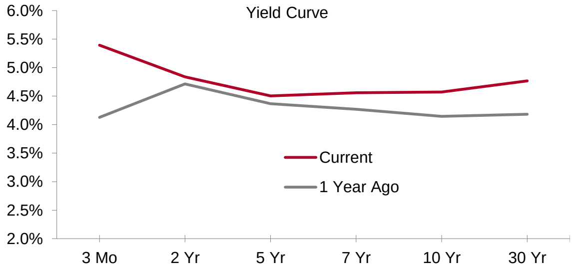
Year to Date*

	Value	Core	Growth
Large	9.98	15.03	19.68
Mid	0.65	3.39	5.95
Small	-0.67	0.69	1.91

■ > 10%
▨ 0% - 10%
🟥 <0%

*S&P Indices

Fixed Income Style



1 Month*

	Short	Interm.	Long
Govt	0.99	1.48	3.23
Corp	1.05	1.77	3.20
HY	1.38	2.62	3.01
	1-3 Yrs	1-10 Yrs	+10 Yrs

Year to Date*

	Short	Interm.	Long
Govt	2.56	1.16	-8.78
Corp	3.12	2.16	-2.68
HY	8.06	7.29	4.07
	1-3 Yrs	1-10 Yrs	+10 Yrs

■ > 10%
▨ 0% - 10%
🟥 <0%

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	3.7%	8.2%
CPI Core Inflation	4.1%	6.6%
Personal Consumption Exp (PCE) Core	3.7%	5.5%
Jobs		
Unemployment Rate (U3)	3.9%	3.7%
Broader Unemployment Rate (U6)	7.2%	6.7%
JOLT Survey (in millions)	9.55	10.85
Jobless Claims (000's)	217	204
Change in Non-Farm Payroll (000's)	150	324
Average Hourly Earnings (Y/Y % Change)	4.1%	4.9%
Consumer & Spending		
Consumer Confidence (Conf Board)	102.6	102.2
Consumer Spending ($ Bil)	18,853	17,804
Consumer Credit ($ Bil)	4,969	4,779
Retail Sales ($ Bil)	705	679
Housing		
Housing Starts (000's)	1,358	1,463
Case-Shiller Home Price Index	311.50	303.69
U.S. Productivity		
Real Gross Domestic Product ($ Bil)	22,492	21,851
Quarter over Quarter Change	4.9%	2.7%
Year Over Year Change	2.9%	1.7%
ISM Manufacturing	46.70	50.00
Capacity Utilization	79.68	80.84
Markit US Composite PMI	50.70	48.20
U.S. General		
Leading Economic Indicators	104.6	113.5
Trade Weighted Dollar Index	124.0	126.7
EUR / USD	1.07	0.97
JPY / USD	149.39	148.26
CAD / USD	0.73	0.73
AUD / USD	0.65	0.63

S&P 500 Sector Returns

	1 Month	YTD
Communication Services	2.20%	43.65%
Information Technology	5.50%	41.42%
Consumer Discretionary	2.81%	27.21%
Energy	1.91%	4.74%
Industrials	1.93%	2.92%
Material	-2.46%	1.42%
Financials	4.50%	0.21%
Health Care	6.96%	-2.52%
Consumer Staples	1.46%	-4.67%
Real Estate	0.00%	-5.06%
Utilities	8.89%	-10.16%

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